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Chinese Affairs

This publication has been prepared by the China branches of the Far East Division of the Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Debating the Army's Political Role

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Last month the "Good Eight Company of Nanking Road" - an army garrison unit stationed in Shanghai - celebrated its tenth anniversary as a national model, and NCNA issued two widely different accounts of the unit's activities over the past ten years. The contrasting views suggest that the central leadership is still not agreed on the future political role of the armed forces.

The Good Eight Company achieved its near-legendary reputation in the early 1960s because of the manner in which its members practiced personal economy - switching lights off, mending clothes, growing their own vegetables, and repairing their own equipment - thereby reducing maintenance costs and strengthening the army's relations with the people. These attributes were highlighted in a Peking NCNA broadcast on 24 April from Nanking. The broadcast made no mention of the unit's activities during the Cultural Revolution, when armed forces personnel were deeply involved in a wide range of political and civic duties. This omission probably reflects the view of moderate leaders, both civilian and military, that the armed forces should keep a low profile, avoid antagonizing the local population and stay out of politics.

A second Peking NCNA broadcast, issued on 26 April and datelined Shanghai, took another tack, focusing almost exclusively on the Good Eight's performance during the Cultural Revolution. In language that has not been heard for many months, it noted that the company supported the Red Guards, defended the "newborn Red power" of the Shanghai municipal revolutionary committee, "supported the left" in Shanghai industries, and took control of 85 primary and middle schools. The broadcast asserted that the Good Eight had refuted those who belittled its involvement in civil affairs and called for company personnel "to plunge more than ever into the heat of struggle." This treatment probably represents the views of elements within the leadership hierarchy, including some within the military high command itself, that large-scale involvement of the armed forces in political and civil affairs is not only necessary but an historic and noble mission. This theme was prominent during the Cultural Revolution, but it became less so after the program to rebuild the civilian party apparatus began in 1970-71. It was muted after the demise of Lin Biao in late 1971, and by early 1973 all references to the army's "support-the-left" mission had ceased.

The contrasting treatment of the Good Eight Company suggests that friction can be found within the powerful Nanking Military Region in East China. Nanking is the base of Hsu Shih-yu, the conservative military region commander, and the NCNA broadcast datelined Nanking undoubtedly is Hsu's viewpoint. The broadcast datelined Shanghai may indicate the influence of Hsu's radical adversary, Chang Chun-chiao, who is first political commissar of the Nanking Military Region and chairman of Shanghai's "newborn" revolutionary committee. (CONFIDENTIAL)

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Nine Chinese undergraduates arrived in Canada late last month to study English at Carleton University in Ottawa. These are the first Chinese to enroll for formal study abroad since late 1966 when all Chinese students were recalled for the Cultural Revolution. Their arrival is not surprising. Chinese diplomats have spent the past year trying to negotiate scientific, cultural, and educational exchange agreements with a number of countries: Canada, UK, US, and Japan. Chinese businessmen and scientists have been hinting broadly that educational and other exchanges were imminent.

The number of Chinese students sent abroad before the Cultural Revolution was not great. During the 1950s, over 7,000 went to the Soviet Union to study science and engineering--with 4,600 receiving degrees (including 1,750 Kandidats, the Soviet equivalent of the Ph.D.). With the cooling of Sino-Soviet relations, few students were sent to the USSR after 1960. More than 1,100 Chinese scientists and engineers were educated in the non-Communist world (including almost 700 to the doctoral level) before 1966. Although these numbers are small, the 2,500 scientists and engineers educated abroad to the doctoral level constitute approximately half of those at that level in China today. They are so valuable that many wear two hats--as researchers at the Chinese Academy of Sciences institutes and as professors at nearby universities.

Chinese universities reopened in 1970, but the resumption of foreign training was delayed in part because Chinese schools were not yet ready to accept foreign students. The Cultural Revolution had increased pride in China's own capabilities and achievements, and the Chinese could not accept training abroad without having foreign trainees in China to assuage that pride. Chinese universities are now sufficiently improved so that at least token exchanges can take place. Three foreign students are currently attending Peking University--an American, a Canadian, and a Laotian--and a few hundred Tanzanians and Zambians are enrolled in railroad engineering and management courses at a Peking engineering college. With the obstacle of reciprocity removed, China should begin to send larger numbers of students abroad.

The Chinese currently are interested only in sending students abroad to receive training in foreign languages and in science and engineering, rather than in the social sciences and liberal arts. Training in foreign languages is obviously important in view of China's expanded role on the international scene; it is also necessary to supply translators for the large number of foreign scientific and technical journals to which the Chinese regularly subscribe. The Chinese will be particularly interested in programs in agronomy, mineral prospecting, chemical engineering, metallurgical engineering, and solid state physics. Gradually, they can be expected to expand their exchange programs to include areas of more direct benefit to military research and development, such as nuclear engineering and telecommunications. (SECRET NO FOREIGN DISSEM)

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Using Foreign Technology

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If Peking is to attain its goal of "catching up" with the West, China must acquire extensive foreign technology. Since the Cultural Revolution, China has imported a growing amount of advanced technology from the West, and is expanding the effort through its import agencies, trade fairs, and technical delegations sent abroad.

How well China is assimilating the new technology is difficult to evaluate. The Chinese scrupulously avoid revealing anything about how they intend to use the equipment they purchase, but much of it is presumably destined for the defense industries.

In early 1972, Peking instituted a revitalized, nationwide "technical innovation campaign" stressing the use of foreign technology. New technical goals for the Five-Year Plan have been set and available resources organized to these ends. Since the recent decentralization of scientific and technological organizations, the provincial and municipal technology bureaus have become the focal points for promoting technological development. These local bureaus now control many former national research units that have been closely integrated with production units. The local bureaus coordinate research and development within their jurisdictions and probably oversee the distribution of many imported items. The bureaus rely heavily on ad hoc teams of technologists, factory workers, and students for advice. To further the campaign, engineers and technicians are encouraged to divide their time between the research institutes and factory workshops. The technical innovation campaign originally confined to the civilian sector, is being extended into defense industries.

A high premium is placed on the translation and distribution of foreign publications systematically collected abroad. While individual scientists and engineers are well informed on the latest Western research, they admit there are difficulties in translating and distributing technical data within China. The technical innovation campaign is reported to have overtaxed the scientific and technical information distribution system. The decentralization of China's research establishment has probably caused difficulties in the full utilization of foreign technology, although little is known of the organizations that now manage its dissemination. During the Cultural Revolution the numerous offices that had disseminated technology ceased to be mentioned. The China Scientific and Technical Information Institute is the only known clearinghouse for foreign publications, a situation that is not necessarily detrimental.

The Ministry of National Defense, which still exercises strong control over technology, has been reasonably successful even during the Cultural Revolution in

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utilizing foreign technology. The National Defense Science and Technology Commission and the National Defense Industry Office coordinated this effort. Military priorities and tight security restrictions probably make the transfer of technology between the defense and civil sectors very difficult.

The Chinese are obviously anxious to assimilate foreign technology both in defense and civilian industries. The reinstatement of long-range technical planning, the return of technical experts to leadership roles, and the resumption of scientific and technical training tuned more closely to industrial needs all point to China's resolve to utilize foreign technology. (SECRET NO FOREIGN DISSEM)

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Peking Cautions Restraint

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For months Peking has made clear that it wants the fighting in Indochina to end so that both Sino-American rapprochement and Chinese political prospects in Southeast Asia may prosper.

-Peking took a relaxed view of cease-fire violations, apparently in the hope of discouraging a heightening of tensions that might lead to significant re-engagement by the big powers. Chinese officials sought to explain away North Vietnamese supply shipments to the South as a defensive measure to offset US deliveries to Saigon just before the Paris Agreement. The Chinese passed off persistent fighting following the cease-fire as mainly local skirmishes which should be viewed in the light of a long and bitter war.

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-In early March, [REDACTED]

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[REDACTED] that Peking stands ready to press Hanoi to avoid overly provocative military and political moves. The following month, a [REDACTED] reportedly said flatly, "North Vietnam will abide by the terms of the agreement; China will see to it." [REDACTED] diplomats subsequently have suggested that Peking was seriously considering a cut-back in military assistance to constrain Hanoi. Reflections of pressure on Hanoi, in fact, appeared in the North Vietnamese press in early April, and Sihanouk has said publicly that Chinese military assistance to his insurgents ended when the Paris Agreement was concluded.

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Peking apparently took another hard look at the situation in April and concluded its larger interests might be undermined by the tough talk coming out of Washington, the US bombing in Cambodia, the retaliatory strikes in Laos, and the interruption of the aid talks in Paris and mine-removal operations in Haiphong harbor. Peking's policy review roughly coincided with the return of Sihanouk from his sensitive mission to Cambodia and Hanoi and the visits to Peking of ranking Lao and Vietnamese Communist officials. The result was a somewhat stronger Chinese stand.

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-A series of authoritative Chinese statements in late April and private comments by [REDACTED] in early May suggest that Peking's counsel focused on North Vietnamese involvement in Indochina and on a political settlement in Cambodia. Running through the statements has been a clear implication that it is time for the Communist side in Indochina to make a greater effort to comply with the cease-fire agreements. An editorial and commentary in *People's Daily* and government messages

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signed by Chou En-lai dealing with "foreign" forces in Indochina suggested that Peking had Hanoi in mind as well as the allied side. In the past, the Chinese have been explicit in assigning the fault to Washington and Saigon.

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China's private counsel to its allies has clearly been more pointed. [REDACTED] that non-intervention "is our principle, and we have said it to everyone." [REDACTED] added that Peking has urged its allies to let the indigenous parties fight their own civil wars. In private, the Chinese probably have told Hanoi that a more flexible Communist stance would turn relatively strong Communist positions in Laos and Cambodia to better advantage and would reduce chances for US reinvolverment. Peking may have urged Hanoi to move ahead with a new government in Laos.

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--Peking clearly hopes that Sihanouk will have a major share of the power in a postwar government in Phnom Penh, but apparently believes that a more flexible bargaining position might be more attractive to Washington. An editorial in *People's Daily* on 25 April called only for an end to US military interference in Cambodia. A month ago, Chou En-lai was publicly insisting on an end to all US involvement, political and economic as well as military. A year ago, in a similar display of flexibility, the North Vietnamese dropped their demand that the US terminate its political and economic involvement in Saigon. (SECRET NO FOREIGN DISSEM/CONTROLLED DISSEM)

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 "Down to the Countryside"
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China's economic difficulties last year and its uncertain prospects this year have prompted a new movement of large numbers of recent middle-school graduates to rural areas.

The down-to-the-countryside movement has two economic goals: adding to the pool of educated manpower in agriculture which will facilitate rural modernization, and lessening the pressure on the government to provide food, housing and social services for urban residents. At the same time, new strictures on industrial hiring promise to lengthen the time graduates spend in the countryside. In recent years, many young people spent two or three years in the countryside before being assigned jobs in urban industry. If the slow pace of industrial expansion continues over the next few years, recent graduates will find it more difficult to find a place in urban areas, and rural-to-urban migration will be discouraged.

The economic effectiveness of such measures has been uneven. The program has helped the Chinese avoid overly rapid urban growth, with an accompanying increase of urban unemployment and diversion of investment funds to provide urban services--problems that have plagued the less-developed countries in recent years. Although many youth regard rural service as an onerous interruption of their careers, the government considers the society's needs--not individual desires--paramount. Some adjustments and accommodations doubtless will be made, but it is clear that large numbers of youth will go to the countryside--perhaps for longer periods of time. (CONFIDENTIAL NO FOREIGN DISSEM)

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A Union of Crime Fighters

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One of the main tasks of the recently reactivated All China Federation of Trade Unions, according to a Canton official, will be to combat the serious crime problem in China. The assignment of this role to the trade union organization would be an admission of sorts that the regular police force, the Public Security Bureau, has not recovered the power it had before the Cultural Revolution. Recent domestic radio broadcasts describing trade unions as "pillars of the proletarian dictatorship," terminology usually reserved for the Public Security Bureau and the army, support the official's claim. If the workers operate under the firm control of the security bureau, the move may be no more than a temporary expedient for reducing urban crime. If the trade unions acquire independent authority in the police field, however, it could have important political ramifications.

The authority of trade unions used to stop at the factory door, but since the Cultural Revolution, workers have been involved in a variety of politically sensitive tasks that involved keeping order. Although leaders have not been revealed for the national trade union organization, a drive to rebuild trade-union organizations throughout China is in progress, and top leaders may already have been designated. A prime candidate for a top trade-union post has been Wang Hung-wen, a youthful Shanghai radical who heads the list of leaders just below the Politburo. Formalizing the involvement of the trade union federation in police work, which would certainly enhance the power of union leaders and their allies in Peking, could be a move by leftist elements to prevent the security apparatus from regaining its former power. (SECRET NO FOREIGN DISSEM)

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China Cashes in on Hong Kong

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Hong Kong is China's largest source of hard-currency earnings, and they offset a major part of the annual deficits that China incurs in its trade with the developed non-Communist countries. In 1972 total foreign exchange available to Peking from Hong Kong trade, overseas remittances, and excess deposits from Peking-controlled banks was roughly US\$1 billion.

Hong Kong provides China with its largest export market and also serves as an outlet for Chinese exports to third countries. In 1972, China's export earnings (including re-exports) from Hong Kong rose to \$680 million compared with \$550 million in 1971. Chinese imports from Hong Kong are small, less than \$5 million annually.

About 95 percent of all overseas remittances to China are channeled through Peking-controlled banks in Hong Kong and the Hong Kong branch of the Bank of China. About one third of the total originates in Hong Kong; the rest comes primarily from Southeast Asia. Remittances are received in hard currency and are then credited, through the Bank of China, to the local bank of the recipient in China, who is paid in Chinese currency. Since the Cultural Revolution, remittances have risen steadily. In 1972 the annual value was twice that in 1966.

Overseas Remittances, 1966-72

| (\$US million) | | (\$US million) | |
|----------------|-----------------|------------------|-----------------|
| Year | Estimated Value | Year | Estimated Value |
| 1966 | 93 | 1970 | 137 |
| 1967 | 91 | 1971 | 166 |
| 1968 | 101 | 1972 | 182 |
| 1969 | 123 | 1973 (projected) | 216 |

Foreign exchange made available to the Chinese from excess deposits in Peking-controlled banks in Hong Kong has increased substantially in the past three years. Unlike remittances and trade earnings, the excess deposits represent short-term loans to Peking. On a regular basis the Peking-controlled banks transfer deposits in excess of reserve and cash requirements to the Bank of China in Hong Kong, which in turn, credits these funds to the head office in Peking where they are held in Hong Kong dollars or are converted into other hard currencies, such as sterling, West German marks, or Swiss francs. Last year, Peking had the use of about

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\$237 million, and it hopes that this year an additional \$160 million will be available. Peking's banks in Hong Kong have been instructed to increase remittances and deposits this year.

Foreign exchange earnings from Hong Kong will be an especially important factor to Peking in 1973 because of its need to pay for the sharp jump in Chinese imports, particularly of agricultural products. (SECRET NO FOREIGN DISSEM/CONTROLLED DISSEM)

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Game Plan for Succession

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A Chinese official has stated that Peking is working on an elaborate two-part strategy for dealing with the succession question. The plan reportedly gives important new authority to Mao's wife, Chiang Ching, and designates specific younger members of the Politburo to succeed Mao, Chou, and other senior leaders in the top party and government posts as these positions become vacant. Although the report seems implausible, proposals along these lines have surfaced in other ways.

There is, in fact, reason to believe that members of the more militant faction within the central leadership might be pushing for the adoption of such proposals in order to improve their prospects in the post-Mao era. The leadership has been unable to agree on who should fill present vacancies in the hierarchy; hence, it is difficult to believe that the leadership could reach a consensus on a long-term plan for succession.

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25X1X According to an [REDACTED] the succession plan was outlined in mid-March [REDACTED]

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the plan was drawn up in late 1971 and consists of two parts. The first is a contingency proposal for dealing with the sudden death or incapacitation of Mao Tse-tung or Chou En-lai. Under its provisions, Chiang Ching would become premier if Chou dies or if he replaces Mao as party chairman. Madame Mao does rank high among the Politburo leaders, but this is the first time she has been mentioned as a candidate to succeed Chou.

The second part is a longer term arrangement designed to select and train young leaders to take over the top positions from China's aging veterans. The following assignments reportedly have already been made:

- Yao Wen-yuan will succeed Mao as party chairman after his eventual death or incapacitation;
- Chang Chun-chiao will succeed Chou as premier;
- Li Te-sheng will assume leadership of the armed forces;
- Chi Teng-kuei will handle party organizational affairs.

There have been numerous reports since the fall of Lin Biao, who was Mao's designated heir, that the Chinese were grappling with the succession question and that the emphasis would be on youth. Some have even stated that Yao was under

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consideration as Mao's successor. This is the first report, however, that purports to spell out Peking's long-term plans in such detail.

The report is less than candid about the selection process. Although the plan purportedly was drawn up in late 1971, after Lin's departure, all four of the "young" cadre assigned prominent positions in the long-term plan were in fact named to the ruling Politburo in April 1969. Thus, their projected accession to these posts seems more like a proposal for dividing the spoils among survivors of the Lin Piao affair than a new scheme for revitalizing the leadership.

It is not clear when the second part of the plan is supposed to go into effect. Although the second part makes no specific reference to Chiang Ching, she would clearly look on it with favor. Unlike Mao or Chou, she is still relatively young (57) and for some years would be in a position to exercise considerable influence through Yao Wen-yuan, her reputed son-in-law. The lineup would also seem to deny power to important interest groups that might be hostile to Chiang Ching because they were criticized, and in some cases publicly humiliated, during the Cultural Revolution. Key members of Chou's governmental bureaucracy, rehabilitated party veterans like Teng Hsiao-ping and China's regional military leaders like Politburo members Hsu Shih-yu and Chen Hsi-lien are not mentioned.

In a sense, the scheme described [REDACTED] is as unorthodox and impractical as the naming in advance of Lin Piao to be Mao's successor. Some of the present party elders will vacate their positions through death or illness before others, and as each phase of the succession problem unfolds, new forces and unforeseen factors obviously will come into play. Under these circumstances it is virtually impossible to program succession in advance.

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Nevertheless, the parallel between the unprecedented earlier appointment of Lin Piao and this latest plan is striking. Lin did not enjoy the confidence of very many high-level Chinese officials, even within the military, and he lacked popular support. In retrospect, it is clear that his designation in the party constitution as Mao's successor was designed in part to give him the legitimacy that he lacked on his own. A similar effort may now be under way on behalf of Madame Mao and the four others mentioned in this report.

The position of Premier Chou En-lai on these matters is a major unknown in the equation. If he were still around, he would exercise considerable influence on the final selection process. Chou undoubtedly finds little to his liking in this plan. Presumably he would argue for a broadly based "collective leadership" that is more representative of all parties concerned and less susceptible to manipulation by Mao's wife. There are no convincing signs, however, that Chou has been able to move candidates of his own into positions of authority, particularly in the central party apparatus.

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There is evidence that an effort is being made to forestall the advance of Chiang Ching and Yao Wen-yuan, and the effort possibly is being orchestrated by Chou himself. For example, whenever Chou leaves Peking, senior military leader Yeh Chien-ying is moved ahead of Chiang Ching in the Politburo pecking order. Chiang Ching is widely feared because of her role in leading Mao's purge during the Cultural Revolution. Thus, the elevation of Yeh when Chou leaves town may be a tactic to reassure jittery officials that Madame Mao will not have a free hand to stir things up in Chou's absence. Reassurances of this nature would be especially necessary if the report of the succession plan is accurate.

Moreover, while Yao's name is being mentioned in the context of the succession question--apparently by Chou himself on occasion--there are indications of an undercover campaign to discredit Yao. Recent articles attacking nepotism, especially those critical of "father-son" enterprises, may be directed against Yao. It has also been reported that the campaign to criticize Lin Biao's son, who is said to have perished with his father in 1971, is actually aimed at Yao. Chiang Ching, Yao's supporter, could also be a target.

The succession still seems very much up in the air. Time is running short, and as matters now stand the clock seems to be working against Chou En-lai. Despite the immense authority and prestige he wields, the premier gives the impression of a man on the defensive in domestic politics. He could be biding his time while he waits for Mao to pass from the scene or for the Chairman to delegate him even greater power. At the same time, if this latest report has any validity, it would appear that Madame Mao is working behind the scenes to improve her position in an eventual showdown. (SECRET NO FOREIGN DISSEM/CONTROLLED DISSEM)

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Distaff Dispute

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It is an open secret that no love is lost between Premier Chou En-lai and Chiang Ching. Recent evidence suggests that Chou's wife, Teng Ying-chao, is also on bad terms with Chiang Ching and that the Chinese are making little effort to conceal the fact.

Teng was particularly active for several weeks prior to May Day and in public accounts was ranked with leaders just below Politburo level. Peking's initial account of the May Day festivities, however, buried her far down the list. Chiang Ching, making her first public appearance in nearly two months, was ranked third among those who attended the festivities. A second account restored Madame Chou to her position among the higher ranking leaders.

The two ladies, who rarely appear together in public, seemed to go out of their way to avoid contact on May Day. Teng appeared at Chungshan Park in the morning, but had gone to the People's Culture Palace by the time Chiang arrived at the park in the afternoon. Madame Chou was the only leader noted as attending more than one fete.

Peking's second account of May Day events highlighted the meeting between Teng Ying-chao and American actress Shirley Maclaine, who is traveling with a group of American women studying the role of women in China. Last year Chiang Ching had extensive interviews with American scholar Roxanne Witke, who was making a similar study. Mrs. Witke claims to have received transcripts of Madame Mao's unpublished speeches and plans to publish her material this summer. Miss Maclaine has left Peking without, as far as we know, meeting Madame Mao. (CONFIDENTIAL)

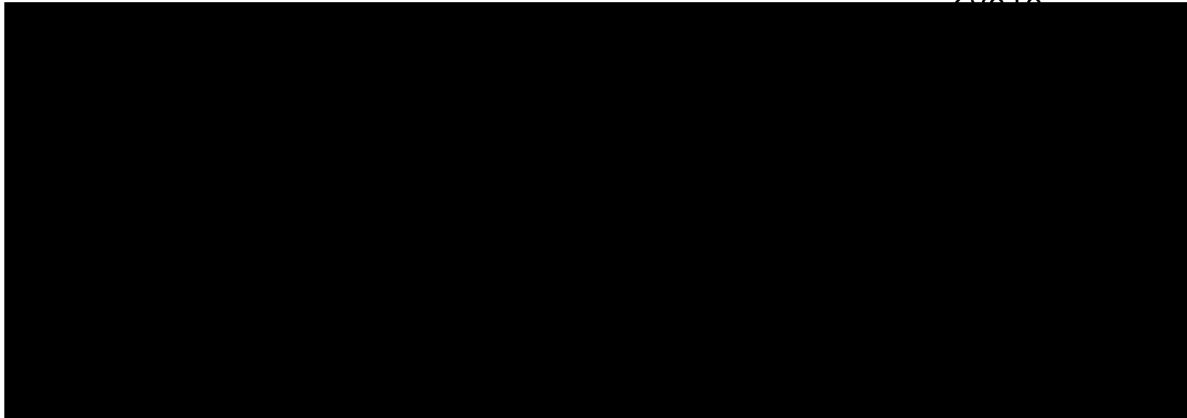
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Asian Ironies



China's pursuit of more normal relationships with certain Asian countries has produced some ironic twists in recent weeks:

-Peking has traded on Ceylonese wariness of India in cultivating Sri Lanka, particularly since India's success in the Indo-Pakistani War. Nonetheless, as a gesture to India, the Chinese ambassador attended airport ceremonies and all official receptions during Indira Gandhi's visit to Sri Lanka in late April.

-President Marcos has invoked Chinese-supported subversion as one of the main reasons for martial law, and the Philippines rank lower than most Asian countries in Peking's foreign policy priorities. Nevertheless, when an unofficial Philippine trade delegation visited Peking last week, Chou En-lai took time from his busy schedule to receive the entire group. Chou, moreover, was accompanied by a squad of foreign affairs and trade officials. (CONFIDENTIAL)

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Wooing the Latins



Preparations for a visit to Peking by Juan Peron and the arrival of a Chilean military delegation have followed the successful visit of Mexico's President Echeverria last month. Peron's wife arrived in Peking on 8 May, reportedly to propose

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discussions on a sizable increase in Sino-Argentine trade and to express hopes for a meeting between her husband and Mao. The visit could take place as early as June.

The Chilean military delegation, headed by a general of aviation, arrived in Peking on 7 May. Aside from a visit to Shanghai in April 1972 by a Chilean naval training vessel, this is the first contact at the military level between the two countries. Peking has been eager to expand its limited contacts with Latin American military establishments, but so far its approaches have been received coolly. Earlier tentative Chinese suggestions for exchanges of military attaches with Argentina, Chile, and Peru drew blanks. (SECRET NO FOREIGN DISSEM/CONTROLLED DISSEM)

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CHRONOLOGY

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|------------------|--|
| 28 April - 1 May | Japanese civil aviation negotiating team in Peking; departs with talks still stalemated. (U) |
| 1 May | Scaled-down May Day festivities include a banquet and celebrations in the parks. Ten Peking-based Politburo members appear in public, but not Mao. (U) |
| 2 May | NCNA comments favorably on Kissinger's "New Atlantic Charter" proposal. (U) |
| 2-10 May | Algerian military delegation led by Revolutionary Council member Colonel Mohammed Ben Amed visits Peking. (U) |
| 3 May | First Chinese ambassador arrives in Australia. (U) |
| 4 May | Gaston Thorn, Foreign Minister of Luxembourg, is greeted in Peking by Chou En-lai. (U) |
| 7 May | Isabel Peron comes to Peking to arrange for visit of Juan Peron. (U) |
| 8 May | Norwegian Foreign Minister Vaarvik arrives in Peking for visit. (U) |
| 8 May | Chilean military delegation led by General of Aviation Gabriel Van Schouwen arrives in Peking. (U) |
| 9 May | Chinese friendship delegation begins visit to Okinawa and refrains from propaganda attack on US bases. (U) |

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